



DEPARTMENT OF STATE INSTRUCTION

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NO.: A-131 April 28, 1961

SUBJECT: Proposed Amendment to November 5, 1960 Agreement with the Government of Indonesia

TO: American Embassy, DJAKARTA

1. You are authorized to open negotiations with the Government of Indonesia on the program outlined herein for the supply of wheat flour under Title I, PL 480, having a market value of \$4.2 million (including ocean transportation costs to be financed by USDA on the portion of the commodities required to be carried on U.S. flag vessels). In conformity with Executive Order 10460, it is anticipated that the Ambassador will direct negotiations, acting with the advice and participation of representatives of other agencies concerned, including the Director of USOM and the Agricultural Attache. If serious problems arise upon initial review or during the course of negotiations, you should postpone or suspend negotiations and communicate with the Department before proceeding further.

2. The commodities included in the proposed program are as follows:

Commodity	Approximate Quantity	Export Market Value (Millions)	CCC Cost (Millions)
Wheat flour	47,000 MT	\$3.5	\$5.4
Ocean transportation (est.)		.7	.7
Total		\$4.2	\$6.1

3. Usual Marketing Requirements: As a condition to the sale of 47,000 MT of U.S. flour under the proposed amendment, the GOI should agree that it will purchase additionally from free world sources including the United States in calendar year 1961 not less than 105,000 metric tons of wheat flour.

4. Shipments: In order allow for orderly shipping of Australian flour on a periodic basis, USDA will encourage Indonesian buying mission and U.S. shippers to space Title I flour shipments over balance of CY 1961.

5.

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DRAFTED BY: FAS/SWPhillips/

APPROVED BY:

OR: CSD: GF Hazard: 27/61

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CLEARANCES: CSD: Mr. Gabbert
OR: Mr. Jacques
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ED: W. Schneisser
L/E: Mr. Bilder
L/T: Mrs. Bradford
Interagency Staff Committee

S/S-CR

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A-131 Djakarta

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- 2 -

5. Deposits of Indonesian rupiah: No change from instructions in paragraph 5 of A-41 of October 14, 1960. The rate of 56.25 will continue to apply in keeping with the applicable provisions of Article III of the November 5, 1960 Agreement.

6. Rupiah uses: It is recommended that you attempt to obtain agreement on the same division of sales proceeds as obtained in the November 5 Agreement, as amended. The convertibility for Section 104(a), representing two percent of this amendment is \$84,000. The cumulative total for the November Agreement, the March Amendment and this proposal comes to \$478,000.

7. Signing procedure: If the proposed sales agreement (enclosure #1) is acceptable to the GOI the Embassy should cable for authorization to sign the sales agreement, giving the proposed date and hour of the scheduled signing. At least 48 hours advance notice is needed. As soon as the agreement is signed, you should cable the Department priority in the clear, and airpouch copies of the agreement in accordance with 4 FSM 326.1.

BOWLES, ACTING

Enclosure:

Proposed Sales Agreement.

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A-131 Djakarta
pg.3

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Page 1 of Enclosure #1

Excellency:

I have the honor to refer to the Agricultural Commodities Agreement entered into by our two Governments on November 5, 1960 as amended March 2, 1961, and to the accompanying exchange of notes, as amended, and, in response to the request of the Government of the Republic of Indonesia, to propose that this agreement be further amended as follows:

1. To provide for additional financing by the Government of the United States of America of the following commodity and ocean transportation:

<u>Commodity</u>	<u>Export Market Value</u>
Wheat flour	\$3,500,000
Ocean transportation (Est.)	<u>700,000</u>
Total	\$4,200,000

2. To provide that Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to this amendment will be used by the Government of the United States of America as follows:

(a) For loans to be made by the Export-Import Bank of Washington under subsection 104(e) of the Agricultural Trade Development and Assistance Act, as amended, (hereinafter referred to as the Act) and for administrative expenses of the Export-Import Bank of Washington in the Republic of Indonesia incident thereto, the Indonesian rupiah equivalent of \$210,000. This increases the total amount indicated in paragraph 1 of Article II of the Agreement to the Indonesian rupiah equivalent of \$1,195,000.

(b) For a loan to the Government of the Republic of Indonesia under subsection 104(g) of the Act, the Indonesian rupiah equivalent of \$1,575,000. This increases the total amount indicated in paragraph 2 of Article II of the Agreement to the Indonesian rupiah equivalent of \$8,962,500.

(c) For a grant to the Government of the Republic of Indonesia under subsection 104(e) of the Act, the Indonesian rupiah equivalent of \$1,575,000. This increases the total amount indicated in paragraph 3 of Article II to the Indonesian rupiah equivalent of \$8,962,500.

(d) For payment of United States expenditures in the Republic of Indonesia under subsections (a), (b), (f), and (h) through (r) of Section 104 of the Act, or under any of such subsections and for other mutually agreed uses under Section 104 of the Act, the Indonesian rupiah equivalent of \$840,000. This increases the total amount indicated in paragraph 4 of Article II of the Agreement to the Indonesian rupiah equivalent of \$4,780,000.

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A-131X Djakarta
pg.4

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Page 2 of Enclosure #1

It is understood that in the event the total of Indonesian rupiah accruing to the Government of the United States of America as a consequence of sales made pursuant to the Agreement and this amendment is less than the Indonesian rupiah equivalent of \$23,900,000, the amount available for expenditures under subsection 104(g) loans and subsection 104(e) grants to the Government of the Republic of Indonesia will be reduced by an equivalent amount and proportionately between 104(g) loans and 104(e) grants; to the extent that the total exceeds the rupiah equivalent of \$23,900,000, 20 percent of the excess will be available for the use of the Government of United States of America, 75 percent for loans and grants to Government of the Republic of Indonesia under subsections 104(g) and 104(e), and 5 percent for loans under subsection 104(e).

3. In order that the delivery of wheat flour under this amendment not unduly disrupt world prices of agricultural commodities, or impair trade relations among friendly nations, the Government of the Republic of Indonesia shall import during United States calendar year 1961 with its own foreign exchange resources 105,000 metric tons of wheat flour from free world sources. This quantity shall be purchased in addition to those quantities to be obtained pursuant to this amendment.

4. It is further understood that in the notes of November 5, 1960, relating to the conversion of the Indonesian rupiah into other currencies "\$394,000" is deleted and "\$478,000" is substituted therefor.

5. Application for purchase authorizations will be made within 90 calendar days of the effective date of this amendment.

6. Except as otherwise provided herein, the pertinent provisions of the Agreement of November 5, 1960 and the accompanying exchanges of notes, as amended, shall apply to this amendment.

I have the honor to propose that this note and Your Excellency's reply concurring therein shall constitute an Agreement between our two Governments on this matter to enter into force on the date of Your Excellency's note in reply.

Accept, Excellency, the renewed assurances of my highest consideration.

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